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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 330 **March, 1988**

Business In Virginia February, 1988 Data

Building permits statewide rose strongly this February, up 15.7 percent compared to February of 1987, spurred by surges of more than one hundred percent in many areas throughout the Commonwealth. New car registrations also increased sharply, by 27.2 percent, the first sign of real strength for new car demand since December 1986. These rebounds in planned construction and in car sales suggest Virginians' confidence about their economic future is rising.

The other February data showed definite gains, with one exception: our sample of retail stores. These retailers experienced an average decline of 0.4 percent in their sales per store. Total sales by all stores, new and old, undoubtedly rose in February, but not necessarily for the individual establishment – the retail environment is quite competitive at the present and likely to become even more so this year.

January data are now available for two major indicators, taxable retail sales as reported by the Virginia Department of Taxation and nonagricultural payroll employment from the Virginia Employment Commission. Both of these indicators show unexpectedly high growth for the state.

The taxable sales figures for December and January were averaged and compared to the December-January averages for last year in order to eliminate the distortions in the data created by the January 1987 snowstorms. The December-January average showed a statewide gain in taxable sales of 11.3 percent, confirming that Virginia consumers spent quite freely for nearly all types of goods (except automobiles) during those two months. Double-digit increases in taxable retail sales, however, cannot be sustained since the total personal income of Virginians is growing at only about 7 percent. The February results for our sample of retailers suggest slower growth in total retail sales is in fact occurring now.

For the yearly taxable sales measure we chose to report the change from February 1987 through January 1988 compared to the same period a year earlier. Virginia's retail sales growth for those twelve months was 9.0 percent, a strong performance for the year, well above the national gains.

The Virginia Employment Commission data show there was a 4.4 percent increase in payroll jobs in January 1988 versus the prior January, a big jump from the 3.1 percent rise in December. This January's figures were helped by better weather than last year, so look for the growth rate to decline in February.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

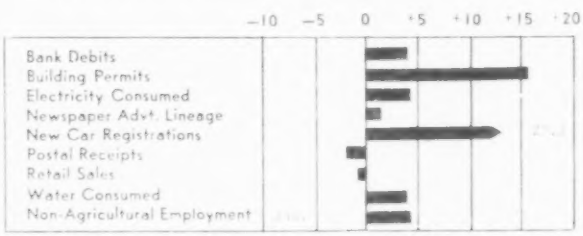
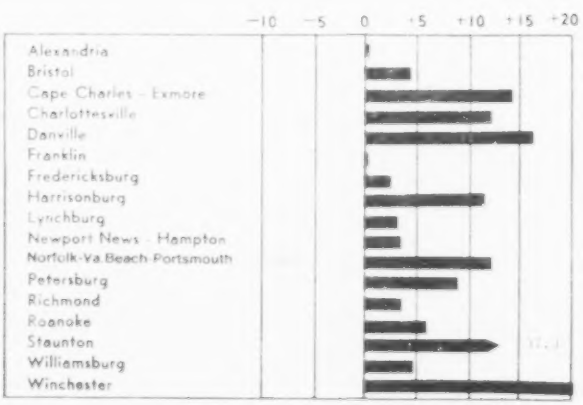


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I — February, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan. NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		387.7	134.4	129.9	89.8	148.2	141.6	83.7	167.9	393.5
Alexandria	164.0	440.1	130.3	108.1	N.A.	168.0	194.6	85.4	134.6	N.A.
Bristol	124.0	N.A.	8.9	144.1	67.4	93.1	116.4	105.3	118.3	309.0
Cape Charles - Exmore	122.9	N.A.	288.2	156.2	N.A.	91.1	N.A.	N.A.	93.6	208.1
Charlottesville	170.4	160.9	247.4	188.0	N.A.	123.1	115.4	111.7	188.3	592.5
Danville	113.4	93.6	148.4	108.4	68.4	71.2	100.0	84.4	N.A.	242.7
Franklin	128.0	N.A.	168.8	152.6	111.8	101.6	N.A.	88.9	104.7	234.8
Fredericksburg	203.4	200.1	211.3	N.A.	168.8	137.0	N.A.	92.4	179.3	1289.7
Harrisonburg	154.0	207.2	80.2	N.A.	124.7	90.4	N.A.	104.7	128.2	329.3
Lynchburg	208.6	197.1	110.8	104.3	N.A.	83.4	98.3	103.8	174.7	1099.0
Newport News - Hampton	179.9	N.A.	98.7	140.4	75.9	89.6	139.2	100.5	162.4	N.A.
Norfolk - Portsmouth	174.4	240.4	109.1	139.4	111.8	101.8	80.0	104.4	N.A.	N.A.
Petersburg	132.5	265.3	0.0	N.A.	111.8	74.9	130.2	89.1	137.8	248.1
Richmond	146.2	204.7	110.8	142.8	100.4	111.1	96.9	114.3	128.6	
Roanoke	152.0	162.8	219.8	146.0	111.2	71.4	125.4	99.4	134.3	389.6
Staunton	121.8	137.1	184.4	94.6	75.3	97.8	N.A.	N.A.	120.3	260.5
Williamsburg	158.6	144.5	380.9	280.3	N.A.	153.6	N.A.	73.3	103.3	471.8
Winchester	159.4	137.2	52.9	166.0	186.9	111.4	N.A.	N.A.	N.A.	N.A.

TABLE II — February, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan. NON AGRI-CULTURAL EMPLOYMENT‡	WATER CONSUMED	RETAIL SALES †	Average Dec.-Jan. RETAIL SALES ‡
The State	2.0	2.0	15.7	6.6	1.7	27.2	4.4	1.9	-0.4	11.3
Alexandria	0.3	3.9	173.4	3.8	N.A.	11.8	6.4	0.0	-10.6	12.1
Bristol	4.4	N.A.	-63.6	7.7	-7.3	40.8	4.6	0.6	-9.4	10.1
Cape Charles - Exmore	14.5	N.A.	300.3	8.4	N.A.	125.9	N.A.	-27.0	-3.1	13.8
Charlottesville	12.0	-40.9	249.7	-1.0	N.A.	51.9	7.4	4.3	5.7	17.4
Danville	16.0	N.A.	59.2	9.2	9.0	54.3	3.1	0.0	N.A.	20.5
Franklin	10.1	N.A.	176.2	2.4	10.2	6.9	N.A.	-2.7	-3.0	-7.1
Fredericksburg	2.5	19.1	-69.5	N.A.	3.6	2.6	N.A.	24.0	-10.4	14.2
Harrisonburg	11.4	31.0	-28.8	N.A.	23.0	30.0	N.A.	7.5	-1.8	20.1
Lynchburg	2.7	15.4	127.5	9.4	N.A.	18.5	0.8	0.4	-1.8	2.0
Newport News - Hampton	3.1	N.A.	11.8	3.2	-4.2	19.7	2.8	-1.5	1.3	6.4
Norfolk - Va. Beach - Portsmouth	12.4	-12.8	-8.3	17.0		26.3		5.9	20.8	2.4
Petersburg	8.9	81.4	-44.0	N.A.	-2.2	55.8	4.2	14.3	-1.6	5.0
Richmond	3.0	11.3	34.7	-0.2	4.9	23.9		3.7	-10.3	17.7
Roanoke	5.7	8.8	103.6	7.3	2.3	9.3	1.3	10.5	-0.2	20.9
Staunton	37.3	7.1	75.9	N.A.	7.6	67.6	N.A.	N.A.	49.1	1.8
Williamsburg	4.7	2.8	78.1	-2.6	N.A.	30.8	N.A.	3.4	-8.8	7.6
Winchester	0.1	21.0	-67.3	0.9	5.8	59.7	N.A.	N.A.	N.A.	18.5

TABLE III — Percentage Change: January - February from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Dec. 1987 NON AGRI-CULTURAL EMPLOYMENT‡	WATER CONSUMED	RETAIL SALES †	Feb. 1987 - Jan. 1988 RETAIL SALES ‡
The State	2.1	-2.1	7.2	9.0	0.1	13.0	4.7	4.5	0.3	9.0
Alexandria	1.6	4.0	72.0	9.1	N.A.	4.6	7.4	-2.4	-5.2	8.7
Bristol	0.1	N.A.	140.1	6.1	-15.5	23.9	4.3	2.8	-5.2	-2.2
Cape Charles - Exmore	8.9	N.A.	100.1	9.3	N.A.	71.9	N.A.	-28.8	-0.7	12.0
Charlottesville	10.8	-36.2	519.0	9.2	N.A.	35.7	4.5	3.8	7.6	10.6
Danville	14.0	N.A.	-17.5	4.1	7.9	61.2	3.1	2.4	N.A.	5.6
Franklin	-0.5	N.A.	211.9	3.5	5.0	-12.6	N.A.	-2.9	-7.6	22.3
Fredericksburg	4.4	15.7	-50.3	N.A.	2.1	-0.6	N.A.	23.8	-1.2	9.4
Harrisonburg	9.0	14.8	-38.6	N.A.	19.1	26.1	N.A.	12.0	-4.7	19.6
Lynchburg	3.0	-7.8	17.8	5.6	N.A.	14.4	2.0	-8.3	1.7	5.0
Newport News - Hampton	2.9	N.A.	-21.9	5.1	7.0	-6.1	1.8	0.8	1.0	7.5
Norfolk-Va. Beach-Portsmouth	5.1	-16.9	-1.8	19.2		0.0		6.2	5.3	3.2
Petersburg	11.3	53.1	145.5	N.A.	11.2	42.5	4.7	29.2	-1.6	6.0
Richmond	3.4	3.7	4.6	7.8	7.1	19.8		6.2	-2.6	15.3
Roanoke	4.9	2.7	108.7	6.9	1.5	3.1	2.1	12.2	-2.7	5.4
Staunton	28.9	5.8	31.9	N.A.	7.5	46.4	N.A.	N.A.	36.1	11.1
Williamsburg	2.8	-1.4	-22.4	-4.7	N.A.	16.1	N.A.	-7.9	-3.1	13.4
Winchester	11.4	7.9	-65.5	1.4	N.A.	56.9	N.A.	N.A.	N.A.	14.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
-Only total MSA data are available for these areas.

N.A. — Not Available
O.O. — No Change

The VEC also released their rebenchmarked employment data for 1986 and 1987. These figures incorporate a surprisingly large upward revision in Virginia's 1987 nonagricultural employment, producing a much higher growth rate for the year than initially shown by the monthly data. The revised growth rate for payroll employment in 1987 is 4.7 percent, substantially above the 3.0 percent indicated by the initial monthly data through December. For three of the Commonwealth's metropolitan areas the revised employment growth rate for 1987 is more than double the rate shown by the preliminary data: Northern Virginia, 7.4 percent instead of the initial 3.6 percent; Charlottesville, 4.5 percent instead of 1.8 percent; and Danville, 3.1 percent in place of 0.9 percent. A detailed analysis of the 1987 job growth by industry and geographic area will be in the April Report.

RLP

How Will We Count?

Herrington J. Bryce
Commonwealth Professor

The author was a member of the Census Advisory Board on Population and is also the author of "The Impact of the Undercount On State and Local Government Transfer," published in the Proceedings of the Conference on Census Undercount, 1980 *(U.S. Government Printing Office, U.S. Bureau of the Census, 1980).*

The Constitution requires that an accurate count of the population be made every ten years. The implementation of this law is the source of a long, intense debate in the U.S. Congress, in the Bureau of Census, in academic circles and among many state and local government jurisdictions. In the past, some local jurisdictions have either considered or entered into suits against the Bureau because of its failure to achieve an accurate count. Among these jurisdictions are the City of Richmond, Virginia; New York City; Newark, New Jersey; and Detroit, Michigan.

The problem stems from the word "accurate" and the fact that nearly $4 billion of federal and state financial aid are in one way or the other tied to population size. For example, the Community Development Block Grant – a major source of federal aid to localities for improving housing, water and sewer, sidewalks and streets – is distributed on the basis not only of population size but also on its rate of growth or decline. On the state level, financial aid is also frequently based upon population data. For example, in Virginia as in several other states, revenues from the alcoholic beverages tax are distributed according to the size of the local jurisdiction.

But the concern for an accurate count is based on other considerations than just dollars. Political redistricting both for state and federal government purposes takes population size into account. Furthermore, representation in the U.S. House of Representatives as well as in the lower chamber of state legislatures is also based on population size as reported by the Bureau of Census. As a matter of fact, it is for the purpose of fairly reflecting population size and distribution that the U.S. Constitution requires an accurate count every ten years.

But the concern goes beyond dollars and politics. Population is the key variable in planning, both in the public and private sectors. It is a principal indicator of need – for housing, jobs, schools, and even recreational facilities. It is also a principal indicator for assessing the size and composition of consumer markets. Recognizing these facts, the Bureau is presently making a concerted effort to improve the 1990 count – and this involves outreach to encourage people to be counted by responding to census takers or returning questionnaires. Their efforts also encompass evaluation methods to adjust the count if, as in the past, there is an undercount or underenumeration which are the terms used to denote hat the Census was less than accurate.

At this very moment, the Bureau, some members of Congress, many statistical experts including a former Bureau official who was a past president of the American Statistical Association, the National Academy of Sciences, and some local jurisdictions such as New York City are at loggerheads. The critics believe that the Bureau should adjust its count for those it missed so as to make the count more accurate.

The Bureau has taken the position that adjustments are undesirable. Without getting into the technical foray, let us first grant that in the real world a perfect count is never likely in a country that is so vast and where some people may have a strong incentive not to be counted. It is believed that this is the case for many so-called illegal immigrants – notwithstanding that the census information is confidential and cannot be used as legal evidence against them.

Secondly, it is argued that adjustments contain their own errors and that these errors may not only be unknown but may have a perverse distribution. To illustrate, to use a constant percentage to increase the initial census count for persons of a similar age whether they be black or white, men or women, would introduce a new error since the undercount is not similar for all of these categories of persons. Moreover, it is argued that the Bureau of Census has shown considerable improvements over the years in its ability to achieve a more accurate count.

The underenumeration has been declining, dropping from 5.6 percent in 1940 to 2.9 percent in 1970 and 1.4 percent in 1980. However, that still left an undercount of 3.2 million people in 1980. The undercount also is particularly large among certain groups, such as black men 25-29 years of age. Further, while a larger percentage of blacks than of whites are missed every ten years, there are

more whites missed than blacks.

The Census Bureau data show another dimension of this problem. Some 5,171,000 undocumented (sometimes called illegal) persons were missed in 1970, in addition to the official undercount. This has become a critical part of the argument because there are those who claim that an adjustment which includes these persons will unconstitutionally shift representation to persons who are in the country illegally. This argument surely will be contested in court.

Thirdly, many feel that the dollar benefits to be gained from an adjustment are not worth it. This is so because a fixed number of dollars are distributed among a vast number of jurisdictions; and also because population is usually only one of the variables considered in making the distribution. Thus, it is concluded that the impact of population on the distribution of dollars is very small and sometimes unpredictable.

These arguments against making adjustments – an issue that is virtually certain to be voted upon by Congress – have not muted the critics. Very reputable statistical experts outside of the government have shown that by using a method involving repetition and verification of Census counts on levels as small as city blocks – a method presently being used for some enumeration purposes – it is possible for the Census to be adjusted without introducing unknown errors such as those resulting from making similar percentage adjustments for all categories.

The critics also argue that, while the size of the undercount may be falling, there remain very significant distributional effects due to the fact the the rates are high among those persons who are most likely to be concentrated in certain urban areas. Cities such as Miami, Los Angeles, Detroit, Richmond, New York City, Dallas, and Atlanta are examples of areas where the undercount is often high. In these areas, the impact of the undercount (while small on the national level) can result in serious losses of both dollars and representation.

A corollary to this argument is that the very purpose of tying certain aid to population size is because both population size and characteristics are used as indicators of need. Thus, the Census undercounts the very persons that the dollars are intended to help and penalizes those communities which are most needy. Therefore, they conclude that given the fact that there is a known and feasible method of correcting the errors in the Census, a greater level of fairness to people as well as places will be attained if the adjustment is made.

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